

TITONKA
CONSOLIDATED SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

TABLE OF CONTENTS

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
17 Balance Sheet	C	16-17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Statement of Changes in Fiduciary Net Assets	K	26
Notes to Financial Statements		27-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		37
Note to Required Supplementary Information - Budgetary Reporting		38
Schedule of Funding Progress for the Retiree Health Plan		39
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1	40
Schedule of Revenues by Sources and Expenditures by Function - All Governmental Funds	2	41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		42-43
Schedule of Findings		44-46

TITONKA CONSOLIDATED SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Allison Anderson	President	2013
Laura Phelps	Vice President	2011
Daryl Chapin		2011
Leroy Hoffman		2011
Gloria Bartelt		2013

School Officials

Marty Fonley	Superintendent
Julia Mogensen	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Titonka Consolidated School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Titonka Consolidated School District, Titonka, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

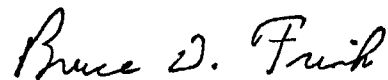
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Titonka Consolidated School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2012 on our consideration of Titonka Consolidated School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Titonka Consolidated School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 and expressed an unqualified opinion on those financial statements. The financial statements for the four years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 13, 2012

TITONKA CONSOLIDATED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Titonka Consolidated School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,832,820 in fiscal year 2010 to \$1,954,515 in fiscal year 2011, while General Fund expenditures decreased from \$1,748,333 in fiscal year 2010 to \$1,667,481 in fiscal year 2011.
- The increase in General Fund revenues was primarily attributable to increased property taxes. The decrease in expenditures was approximately 4%. The General Fund balance increased by 50% primarily due to cost control measures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Titonka Consolidated School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Titonka Consolidated School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Titonka Consolidated School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Fund and a multiyear comparison of revenues and expenses.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Titonka Consolidated School District Annual Financial Report

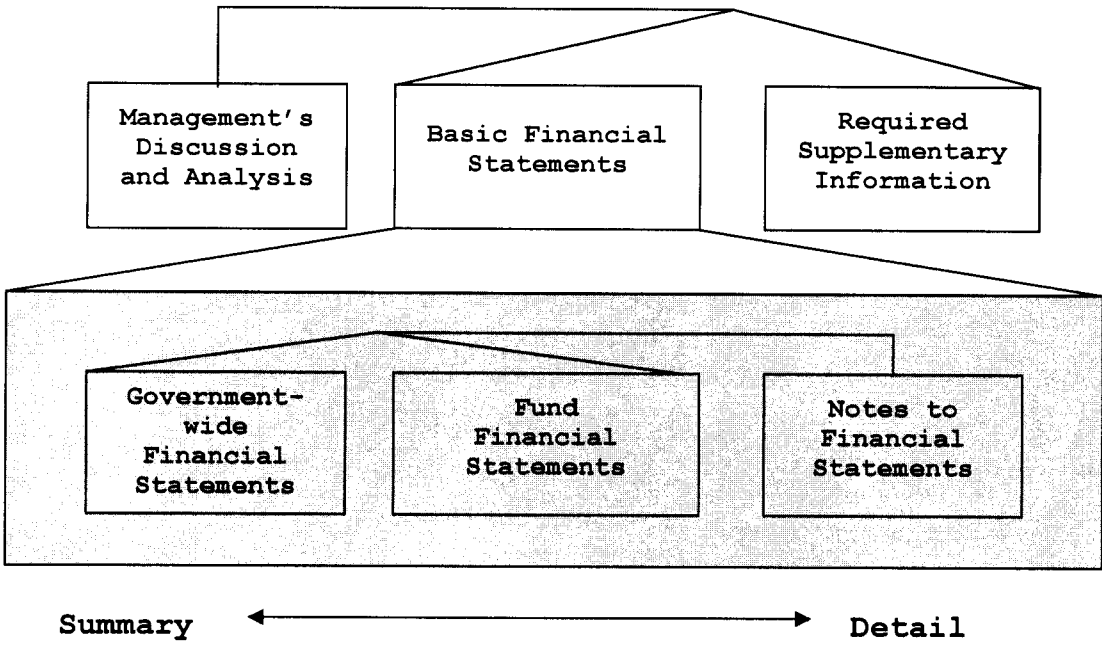


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District has an Internal Service Fund to account for the flex spending transactions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<p align="center">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 2,315	1,928	10	2	2,325	1,930	16.99%
Capital assets	3,604	3,671	1	1	3,605	3,672	-1.86%
Total assets	<u>5,919</u>	<u>5,599</u>	<u>11</u>	<u>3</u>	<u>5,930</u>	<u>5,602</u>	<u>5.53%</u>
Current liabilities	1,395	1,346	17	1	1,412	1,347	4.60%
Non-current liabilities	2,633	2,746	-	-	2,633	2,746	0.00%
Total liabilities	<u>4,028</u>	<u>4,092</u>	<u>17</u>	<u>1</u>	<u>4,045</u>	<u>4,093</u>	<u>-1.19%</u>
Net Assets							
Invested in capital assets, net of related debt	994	936	1	1	995	937	5.83%
Restricted	430	360	-	-	430	360	16.28%
Unrestricted	467	211	(7)	1	460	212	53.91%
Total net assets	<u>\$ 1,891</u>	<u>1,507</u>	<u>(6)</u>	<u>2</u>	<u>1,885</u>	<u>1,509</u>	<u>19.95%</u>

Combined net assets increased by 20% over the prior year. Unrestricted assets increased as the General Fund experienced an increase due to reducing expenses by over \$80,000 as well as levying \$260,000 in property taxes to replace prior year state aid cuts.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 91	116	29	39	120	155	-22.58%
Operating grants, contributions and restricted interest	377	364	39	41	416	405	2.72%
General revenues:							
Property tax	1,138	1,052	-	-	1,138	1,052	8.17%
Income surtax	90	100	-	-	90	100	-10.00%
Statewide sales, services and use tax	143	120	-	-	143	120	19.17%
Unrestricted state grants	518	524	-	-	518	524	-1.15%
Unrestricted investment earnings	3	9	-	-	3	9	-66.67%
Other	1	5	-	-	1	5	-80.00%
Total revenues	2,361	2,290	68	80	2,429	2,370	2.49%
Program expenses:							
Governmental activities:							
Instruction	1,127	1,221	-	-	1,127	1,221	-7.70%
Support Services	517	517	-	-	517	517	0.00%
Non-instructional programs	15	9	76	85	91	94	-3.19%
Other expenses	317	345	-	-	317	345	-8.12%
Total expenses	1,976	2,092	76	85	2,052	2,177	-5.74%
Change in net assets	\$ 385	198	(8)	(5)	377	193	529.00%

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,360,873 and expenses were \$2,052,386 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 1,127	1,221	-7.70%	736	827	-11.00%
Support services	517	517	0.00%	516	511	0.98%
Non-instructional programs	15	9	66.67%	15	9	66.67%
Other expenses	317	345	-8.12%	241	265	-9.06%
Totals	<u>\$ 1,976</u>	<u>2,092</u>	<u>-5.54%</u>	<u>1,508</u>	<u>1,612</u>	<u>-6.45%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$91,362.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$288,737.
- The net cost of governmental activities was financed with \$1,137,566 in property tax, \$517,668 in state foundation aid.

Business-Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$68,002 and expenses totaled \$76,091. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Titonka Consolidated School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$874,223 a \$322,000 increase over last year's ending fund balances of \$551,780. The General Fund increase from cost containment measures and increased revenues was the biggest factor.

Governmental Fund Highlights

- The District's General Fund balance increased due to cost containment measures and property tax increases. Expenses decreased by over \$80,000.
- The District continues to collect the statewide sales, services and use tax. The money is being used for infrastructure projects and property tax relief.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased by over \$8,000 during fiscal year 2011.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 36 and 37.

Legal Budgetary Highlights

The District's receipts were \$26,249 more than budgeted receipts. Most of the variance resulted from additional federal funds.

Expenditures did not exceed the budgeted amounts in any of the four functions. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The District did not exceed the General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested over \$3.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$134,621.

The original cost of the District's capital assets was \$5,459,075. Governmental funds account for \$5,388,739, with the remainder of \$70,336 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 2	2	-	-	2	2	0.00%
Buildings	3,298	3,371	-	-	3,298	3,371	-2.17%
Improvements other than buildings	88	93	-	-	88	93	-5.38%
Furniture and equipment	216	205	1	1	217	206	5.34%
Totals	<u>\$ 3,604</u>	<u>3,671</u>	<u>1</u>	<u>1</u>	<u>3,605</u>	<u>3,672</u>	<u>-1.82%</u>

Long-Term Debt

The District issued \$915,000 of revenue bonds in July 2007. \$790,000 remains to be repaid over the next 13 years with proceeds of the statewide sales, service and use tax. General obligation bonds of \$1,820,000 remain to be repaid over the next 17 years with proceeds of a voter approved property tax levy. More complete discussion of the Retiree Health Plan provision can be found in Note 12 to the financial statement.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment the past several years. This trend has caused the District to tap into existing reserves.
- A one way sharing agreement with Algona for grades 7-12 will begin in the 2011/2012 school year.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julia Mogensen, Business Manager, Titonka Consolidated School District, 543 Dieckman St, PO Box 287, Titonka, IA 50480-0287.

Basic Financial Statements

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 928,375	5,034	933,409
Receivables:			
Property tax:			
Current year	20,232	-	20,232
Succeeding year	1,177,325	-	1,177,325
Income surtax	77,721	-	77,721
Receivables:			
Due from other governments	93,166	-	93,166
Other receivables	1,994	954	2,948
Interfund receivable	16,505	(16,505)	-
Inventories	-	3,893	3,893
Capital assets, net of accumulated depreciation	3,603,771	1,068	3,604,839
Total assets	5,919,089	(5,556)	5,913,533
Liabilities			
Accounts payable	155,428	16	155,444
Unearned revenues	-	447	447
Accrued interest payable	29,994	-	29,994
Deferred revenue:			
Succeeding year property tax	1,177,325	-	1,177,325
Federal programs	31,694	-	31,694
Long term liabilities:			
Portion due within one year:			
Revenue bonds	50,000	-	50,000
General obligation bonds	80,000	-	80,000
Portion due after one year:			
Net OPEB liability	23,334	-	23,334
Revenue bonds	740,000	-	740,000
General obligation bonds	1,740,000	-	1,740,000
Total liabilities	4,027,775	463	4,028,238
Net Assets			
Invested in capital assets, net of related debt	993,771	1,068	994,839
Restricted for:			
Categorical funding	101,510	-	101,510
Student activities	1	-	1
Management levy	47,059	-	47,059
School infrastructure	164,838	-	164,838
Physical plant and equipment levy	117,040	-	117,040
Debt service	566	-	566
Unrestricted	466,529	(7,087)	459,442
Total net assets	\$ 1,891,314	(6,019)	1,885,295

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Operating Grants, Contributions Charges for and Restricted Service Interest			Governmental Business Type Activities Activities		
	Expenses					Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 1,127,446	91,311	300,166	(735,969)	-	(735,969)
Support services:						
Student support services	6,721	-	-	(6,721)	-	(6,721)
Instructional staff services	27,665	-	-	(27,665)	-	(27,665)
Administration services	227,606	-	-	(227,606)	-	(227,606)
Operation and maintenance of plant services	176,577	-	1,209	(175,368)	-	(175,368)
Transportation services	78,273	51	-	(78,222)	-	(78,222)
	516,842	51	1,209	(515,582)	-	(515,582)
Non-instructional programs	14,840	-	5	(14,835)	-	(14,835)
Other expenditures:						
Interest and services on debt	107,026	-	121	(106,905)	-	(106,905)
AEA flowthrough	75,639	-	75,639	-	-	-
Depreciation (unallocated)*	134,502	-	-	(134,502)	-	(134,502)
	317,167	-	75,760	(241,407)	-	(241,407)
Total governmental activities	1,976,295	91,362	377,140	(1,507,793)	-	(1,507,793)

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs	76,091	28,825	39,177	-
				(8,089)
Total	<u>\$ 2,052,386</u>	<u>120,187</u>	<u>416,317</u>	<u>(1,507,793)</u>
				(8,089)
				(1,515,882)
General Revenues:				
Property tax levied for:				
General purposes			\$ 894,623	-
Management Fund			9,184	-
Capital outlay			71,279	-
Public Education and Recreation Levy			9,516	-
Debt service			153,064	-
Income surtax			89,968	-
Statewide sales, services and use tax			143,035	-
Unrestricted state grants			517,668	-
Unrestricted investment earnings			2,929	-
Other			1,105	-
			<u>1,892,371</u>	<u>1,892,371</u>
Total general revenues				-
Change in net assets			384,578	(8,089)
Net assets beginning of year			1,506,736	2,070
Net assets end of year			<u>\$ 1,891,314</u>	<u>1,508,806</u>
				<u>1,885,295</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Public Education and Recreation Levy	Capital Projects				Debt Service	Total
					Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Assets										
Cash and pooled investments	\$ 611,827	1,381	46,896	118	144,740	120,442		-	-	925,404
Receivables:										
Property tax:										
Current year	15,916	-	163	169	-	1,266		2,718	20,232	
Succeeding year	869,489	-	70,000	9,889	-	74,521		153,426	1,177,325	
Income surtax	77,721	-	-	-	-	-		-	77,721	
Interfund receivable	23,807	-	-	-	-	-		-	23,807	
Due from other governments	73,068	-	-	-	20,098	-		-	93,166	
Other receivables	284	80	-	-	-	200		-	564	
Total assets	<u>\$ 1,672,112</u>	<u>1,461</u>	<u>117,059</u>	<u>10,176</u>	<u>164,838</u>	<u>196,429</u>		<u>156,144</u>	<u>2,318,219</u>	

TITONKA CONSOLIDATED SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)		\$	874,223
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>			
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.			77,721
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			3,603,771
An internal service fund is used by the District's management to charge the costs of the flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with the governmental activities.			(1,073)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.			(29,994)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.			
Revenue bonds	\$	(790,000)	
General obligation bonds		(1,820,000)	
Net OPEB liability		<u>(23,334)</u>	<u>(2,633,334)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 1,891,314</u>

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

		Student Activity	Management Levy	Public Education and Recreation Levy	Capital Projects Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:	General							
Local sources:								
Local tax	\$ 975,486	-	9,184	9,516	143,035	71,279	153,064	1,361,564
Tuition	91,311	-	-	-	-	-	-	91,311
Other	5,807	9,840	-	-	127	1,075	-	16,849
State sources	752,296	-	5	5	-	2	121	752,429
Federal sources	129,615	-	-	-	-	-	-	129,615
Total revenues	1,954,515	9,840	9,189	9,521	143,162	72,356	153,185	2,351,768
Expenditures:								
Instruction	1,121,855	12,710	-	-	-	-	-	1,134,565
Support services:								
Student support services	6,721	-	-	-	-	-	-	6,721
Instructional staff services	34,415	-	-	-	-	-	-	34,415
Administration services	192,097	-	6,674	-	-	28,835	-	227,606
Operation and maintenance of plant services	141,018	-	35,559	-	-	23,575	-	200,152
Transportation services	95,736	-	-	-	-	-	-	95,736
	469,987	-	42,233	-	-	52,410	-	564,630
Non-instructional programs	-	-	-	9,521	-	-	-	9,521

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2011

	General	Student Activity	Management Levy	Public Education and Recreation Levy	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Debt Service	Total
Other expenditures:								
Debt service:								
Principal	-	-	-	-	-	-	125,000	125,000
Interest	-	-	-	-	-	-	114,201	114,201
Services	-	-	-	-	-	-	450	450
AEA flowthrough	75,639	-	-	-	-	-	-	75,639
	<u>75,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,651</u>	<u>315,290</u>
Total expenditures	<u>1,667,481</u>	<u>12,710</u>	<u>42,233</u>	<u>9,521</u>	<u>-</u>	<u>52,410</u>	<u>239,651</u>	<u>2,024,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>287,034</u>	<u>(2,870)</u>	<u>(33,044)</u>	<u>-</u>	<u>143,162</u>	<u>19,946</u>	<u>(86,466)</u>	<u>327,762</u>
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	86,275	86,275
Operating transfers (out)	<u>(5,319)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,275)</u>	<u>-</u>	<u>-</u>	<u>(91,594)</u>
	<u>(5,319)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,275)</u>	<u>-</u>	<u>86,275</u>	<u>(5,319)</u>
Net change in fund balance	281,715	(2,870)	(33,044)	-	56,887	19,946	(191)	322,443
Fund balances beginning of year	<u>263,004</u>	<u>2,871</u>	<u>80,103</u>	<u>-</u>	<u>107,951</u>	<u>97,094</u>	<u>757</u>	<u>551,780</u>
Fund balances end of year	<u>\$ 544,719</u>	<u>1</u>	<u>47,059</u>	<u>-</u>	<u>164,838</u>	<u>117,040</u>	<u>566</u>	<u>874,223</u>

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 322,443

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected until more than 60 days after the District's fiscal year ends are not considered "available" in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change from the prior fiscal year. 9,105

An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue(expense) of the internal service fund is reported with governmental activities. 516

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 66,972	
Depreciation expense	<u>(134,502)</u>	(67,530)

Repayment of long-term debt liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 125,000

Other postemployment benefits are reported in the Statement of Activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (12,581)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,625

Change in net assets of governmental activities (Exhibit B) \$ 384,578

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Assets		
Cash and pooled investments	\$ 5,034	2,971
Other receivables	954	1,430
Inventories	3,893	-
Capital assets, net of accumulated depreciation	1,068	-
Total assets	<u>10,949</u>	<u>4,401</u>
Liabilities		
Accounts payable	16	874
Interfund payable	16,505	4,600
Unearned revenue	447	-
	<u>16,968</u>	<u>5,474</u>
Net assets		
Unrestricted	(6,019)	(1,073)
Total net assets	<u>\$ (6,019)</u>	<u>(1,073)</u>

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Operating revenue:		
Local sources:		
Charges for services	\$ 28,825	7,674
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	31,885	-
Benefits	14,619	-
Services	318	-
Supplies	29,150	-
Depreciation	119	-
	76,091	-
Internal service programs:		
Benefits	-	7,158
Total operating expenses	76,091	7,158
Operating income (loss)	(47,266)	516
Non-operating revenues:		
Local sources	10	-
Transfer from General Fund	5,319	-
State sources	573	-
Federal sources	33,275	-
	39,177	-
Change in fund net assets	(8,089)	516
Net assets beginning of year	2,070	(1,589)
Net assets end of year	\$ (6,019)	(1,073)

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of services	\$ 28,484	8,486
Cash payments to employees for services	(35,318)	(6,600)
Cash payments to suppliers for goods or services	(23,656)	-
Net cash provided by (used by) operating activities	(30,490)	1,886
Cash flows from non-capital financing activities:		
State grants received	573	-
Federal grants received	27,066	-
Net cash provided by non-capital financing activities	27,639	-
Cash flows from capital financing activities:		
Transfer from General Fund	5,319	-
Cash flows from investing activities:		
Interest on investments	10	-
Net increase (decrease) in cash and cash equivalents	2,478	1,886
Cash and cash equivalents beginning of year	2,556	1,085
Cash and cash equivalents end of year	\$ 5,034	2,971
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (47,266)	516
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	119	-
Commodities used	6,209	-
Decrease(Increase) in other receivables	(152)	812
(Increase) in inventory	(269)	-
Increase(Decrease) in accounts payable	(128)	558
Increase in interfund payable	11,186	-
(Decrease) in unearned revenue	(189)	-
	\$ (30,490)	1,886

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$6,209.

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trusts	Agency
Assets		
Cash and pooled investments	\$ 4,500	1,663
Liabilities		
Other payables	-	1,663
Net Assets		
Reserved for special purposes	\$ 4,500	-

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trusts	Agency
Additions:		
Local sources:		
Gifts and contributions	\$ 5,000	-
Miscellaneous sales	-	4,325
Total additions	<u>5,000</u>	<u>4,325</u>
Deductions:		
Instruction:		
Regular:		
Scholarships awarded	500	-
Supplies	-	4,325
Scholarships awarded	<u>500</u>	<u>4,325</u>
Change in net assets	<u>4,500</u>	<u>-</u>
Net assets beginning of year	<u>-</u>	<u>-</u>
Net assets end of year	<u>\$ 4,500</u>	<u>\$ -</u>

TITONKA CONSOLIDATED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Titonka Consolidated School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. During the fiscal year ending June 30, 2011 the District was involved in a two-way sharing agreement with the Woden-Crystal Lake Community School District. The geographic area served includes the City of Titonka, Iowa, and agricultural area in Kossuth, Winnebago and Hancock Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Titonka Consolidated School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Titonka Consolidated School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Kossuth County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Public Education and Recreation Levy is utilized to account for the operation of recreation and community services activities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund, Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for funds raised by the one-cent School Infrastructure statewide sale, services and use tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Internal Service and School Nutrition Fund. These funds are used to account for the food service operations of the District as well as the District's flex spending plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent grant proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the budgeted amount in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,210	-	-	2,210
Capital assets being depreciated:				
Buildings	3,951,671	-	-	3,951,671
Improvements other than buildings	260,893	-	-	260,893
Furniture and Equipment	1,106,993	66,972	-	1,173,965
Total capital assets being depreciated	5,319,557	66,972	-	5,386,529
Less accumulated depreciation for:				
Buildings	581,402	72,179	-	653,581
Improvements other than buildings	167,770	5,133	-	172,903
Furniture and Equipment	901,294	57,190	-	958,484
Total accumulated depreciation	1,650,466	134,502	-	1,784,968
Total capital assets being depreciated, net	3,669,091	(67,530)	-	3,601,561
Governmental activities, capital assets, net	\$ 3,671,301	(67,530)	-	3,603,771
Business type activities:				
Furniture and equipment	\$ 70,336	-	-	70,336
Less accumulated depreciation	69,149	119	-	69,268
Business type activities capital assets, net	\$ 1,187	(119)	-	1,068
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 134,502
Business Type activities:				
Food service operations				\$ 119

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$56,157, \$64,967, and \$62,680 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$75,639 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

Titonka Consolidated School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Student Activity Fund	\$ 550
General Fund	School Nutrition Fund	16,505
General Fund	Debt Service Fund	2,152
General Fund	Internal Service Fund	<u>4,600</u>
Total		<u>\$23,807</u>

The interfund loan receivable/payable was the result of deficit cash balances in the payable funds needing short term cash assistance.

(8) Financial Condition

The Internal Service Fund had a deficit fund balance of \$1,073 at June 30, 2011. The School Nutrition Fund had a deficit fund balance of \$6,019 at June 30, 2011.

(9) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Net OPEB Liability	\$ 10,753	12,581	-	23,334	-
General Obligation Bonds	1,895,000	-	75,000	1,820,000	80,000
Revenue Bonds	<u>840,000</u>	<u>-</u>	<u>50,000</u>	<u>790,000</u>	<u>50,000</u>
Total	<u>\$2,745,753</u>	<u>12,581</u>	<u>125,000</u>	<u>2,633,334</u>	<u>130,000</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012	4.00%	\$ 74,925	80,000	154,925
2013	4.00	71,725	85,000	156,725
2014	4.00	68,325	90,000	158,325
2015	4.00	64,725	90,000	154,725
2016	4.00	61,125	95,000	156,125
2017	4.00	57,325	100,000	157,325
2018	4.00	53,325	105,000	158,325
2019	4.00	49,125	110,000	159,125
2020	4.05	44,725	115,000	159,725
2021	4.10	40,068	120,000	160,068
2022	4.125	35,148	125,000	160,148
2023	4.15	29,992	130,000	159,992
2024	4.20	24,598	135,000	159,598
2025	4.25	18,928	140,000	158,928
2026	4.30	12,978	145,000	157,978
2027	4.35	<u>6,742</u>	<u>155,000</u>	<u>161,742</u>
Total		<u>\$713,779</u>	<u>1,820,000</u>	<u>2,533,779</u>

Revenue Obligation Bonds

Details of the District's June 30, 2011 revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012	3.50-3.60%	% 34,575	50,000	84,575
2013	3.70-3.80	32,775	55,000	87,775
2014	3.90-4.00	30,685	55,000	85,685
2015	4.10-4.20	28,380	60,000	88,380
2016	4.25-4.30	25,870	60,000	85,870
2017	4.35-4.40	23,290	65,000	88,290
2018	4.45-4.50	20,430	65,000	85,430
2019	4.55-4.60	17,391	70,000	87,391
2020	4.65-4.70	14,171	70,000	84,171
2021	4.75-4.80	10,881	75,000	85,881
2022	4.85-4.90	7,161	80,000	87,161
2023	4.95-5.00	<u>3,240</u>	<u>85,000</u>	<u>88,240</u>
Total		<u>\$248,849</u>	<u>790,000</u>	<u>1,038,849</u>

The bonds will be repaid from proceeds of the one cent statewide sales, services and use tax.

(10) Sharing

The District has terminated their whole grade sharing agreement with the Woden-Crystal Lake Community School District effective June 30, 2011. A one-way sharing agreement for students in Grades 7-12 with the Algona Community School District has been agreed to beginning with the 2011/2012 school year.

(11) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$86,275
School Nutrition	General Fund	<u>5,319</u>
Total		<u>\$91,594</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The General Fund transferred funds to the Nutrition Fund due to cash flow shortages.

(12) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 22 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$13,465
Interest on net OPEB obligation	269
Adjustment to annual required contribution	(1,153)
Annual OPEB cost	<u>12,581</u>
Contributions made	-
Increase in net OPEB obligation	<u>12,581</u>
Net OPEB obligation beginning of year	<u>10,753</u>
Net OPEB obligation end of year	<u>\$23,334</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$12,405	13.3%	\$10,753
June 30, 2011	\$12,581	0.0%	\$23,334

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$90,619, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$90,619. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$840,000 and the ratio of the UAAL to covered payroll was 10.8%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects, Physical Plant and Equipment Levy	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ -	97,095
Change in fund type classification per implementation of GASB Statement No. 54	97,095	(97,095)
Balances July 1, 2010, as restated	<u>\$97,095</u>	<u>-</u>

Required Supplementary Information

TITONKA CONSOLIDATED SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Types	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 1,469,724	28,835	1,498,559	1,480,010	1,480,010	18,549
State sources	752,429	573	753,002	818,092	818,092	(65,090)
Federal sources	129,615	33,275	162,890	90,000	90,000	72,890
Total revenues	<u>2,351,768</u>	<u>62,683</u>	<u>2,414,451</u>	<u>2,388,102</u>	<u>2,388,102</u>	<u>26,349</u>
Expenditures/Expenses:						
Instruction	1,134,565	-	1,134,565	1,417,532	1,417,532	282,967
Support services	564,630	-	564,630	800,750	800,750	236,120
Non-instructional programs	9,521	76,091	85,612	86,220	86,220	608
Other expenditures	315,290	-	315,290	319,120	319,120	3,830
Total expenditures/expenses	<u>2,024,006</u>	<u>76,091</u>	<u>2,100,097</u>	<u>2,623,622</u>	<u>2,623,622</u>	<u>523,525</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	327,762	(13,408)	314,354	(235,520)	(235,520)	549,874
Other financing sources (uses)	(5,319)	5,319	-	1,500	1,500	(1,500)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	322,443	(8,089)	314,354	(234,020)	(234,020)	548,374
Balance beginning of year	551,780	2,070	553,850	404,975	404,975	148,875
Balance end of year	<u>\$ 874,223</u>	<u>(6,019)</u>	<u>868,204</u>	<u>170,955</u>	<u>170,955</u>	<u>697,249</u>

See accompanying independent auditor's report.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$93	\$93	0.0%	\$994	9.4%
2011	Jul 1, 2009	\$0	\$91	\$91	0.0%	\$840	10.8%

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Other Supplementary Information

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ (751)	598	424	(577)
Book fair	(220)	-	-	(220)
Pride club	64	-	-	64
Jazz band	129	-	50	79
Co-ed athletics	1,673	8,580	9,765	488
Annual	1,270	585	2,162	(307)
Seventh grade	115	58	87	86
Fifth grade	45	17	31	31
Sixth grade	211	-	-	211
Eighth grade	90	-	191	(101)
National Honor Society	185	-	-	185
Interest	26	2	-	28
Student council	34	-	-	34
Totals	<u>\$ 2,871</u>	<u>9,840</u>	<u>12,710</u>	<u>1</u>

See accompanying independent auditor's report.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 1,361,564	1,258,402	1,223,051	1,147,752	961,999	934,105	898,355	838,394	825,335	774,602
Tuition	91,311	109,749	88,339	45,751	112,448	77,236	86,438	86,531	121,660	130,210
Other	16,849	45,419	76,199	99,830	109,814	116,408	86,501	90,341	102,759	88,102
Intermediate sources	-	-	-	-	-	-	-	2,500	-	-
State sources	752,429	730,374	902,258	902,605	887,745	838,503	924,158	784,946	778,827	759,476
Federal sources	129,615	129,651	202,373	413,065	67,239	99,234	108,863	75,465	116,839	79,381
	<u>\$ 2,351,768</u>	<u>2,273,595</u>	<u>2,492,220</u>	<u>2,609,003</u>	<u>2,139,245</u>	<u>2,065,486</u>	<u>2,104,315</u>	<u>1,878,177</u>	<u>1,945,420</u>	<u>1,831,771</u>
Expenditures:										
Instruction	\$ 1,134,565	1,212,398	1,346,275	1,252,531	1,309,070	1,309,201	1,281,916	1,255,007	1,173,824	1,144,721
Support services:										
Student services	6,721	-	273	6,488	14,134	33,714	16,655	15,145	14,962	17,620
Instructional staff services	34,415	14,746	22,350	36,169	33,380	70,122	66,735	61,316	68,521	73,897
Administration services	227,606	239,893	317,033	233,244	315,629	227,945	227,334	246,392	238,337	271,767
Operation and maintenance of plant services	200,152	185,617	237,035	220,947	220,969	264,006	210,603	184,663	173,599	153,587
Transportation services	95,736	99,959	94,124	74,098	65,766	79,367	66,937	75,820	73,739	98,337
Central support services	-	-	-	-	-	-	-	-	-	612
Noninstructional programs	9,521	8,792	8,419	8,174	8,388	13,175	7,731	9,233	9,183	9,261
Other expenditures:										
Facilities acquisition	-	155,162	946,587	2,495,019	502,255	-	42,954	-	-	7,453
Debt service	239,651	239,001	201,790	151,525	-	-	-	-	-	-
AEA flowthrough	75,639	75,820	70,798	69,288	68,493	66,244	66,884	65,032	66,047	66,182
	<u>\$ 2,024,006</u>	<u>2,231,388</u>	<u>3,244,684</u>	<u>4,547,483</u>	<u>2,538,084</u>	<u>2,063,774</u>	<u>1,987,749</u>	<u>1,912,608</u>	<u>1,818,212</u>	<u>1,843,437</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation

- Year Round Tax Planning

- Payroll & Sales Tax Preparation

- IRS Representation

- Monthly/Quarterly Write-Up

- Data Processing Services

- Payroll Preparation

- Financial Statement Preparation

- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience

- Evenings & Saturdays Available by Appointment

- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Titonka Consolidated School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Titonka Consolidated School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Titonka Consolidated School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Titonka Consolidated School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Titonka Consolidated School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

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P.O. Box 241
Clarion, IA 50525

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Fax: (515) 532-3677
bruce@frinkcpa.com

Compliance and Other Matters

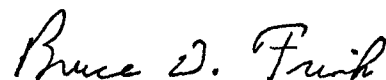
As part of obtaining reasonable assurance about whether Titonka Consolidated School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Titonka Consolidated School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Titonka Consolidated School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Titonka Consolidated School District and other parties to whom Titonka Consolidated School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Titonka Consolidated School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 13, 2012

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - Expenditures for the year ending June 30, 2011, did not exceed the certified budget amounts in any of the four functions. The District did not exceed the unspent authorized budget.
- II-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-H-11 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- II-I-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$107,951
Revenues/transfers in:		
Sales tax revenues	\$143,035	
Other local revenues	<u>127</u>	<u>143,162</u>
		251,113
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund		<u>86,275</u>
Ending balance		<u>\$164,838</u>

For the year ended June 30, 2011, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1,000 Of Taxable Valuation	Property Tax Dollars Reduced
Debt Service Levy	<u>\$1.21</u>	<u>\$86,275</u>

II-M-11 Deficit Balance - The Internal Service Fund had a deficit fund balance of \$1,073 at June 30, 2011. The School Nutrition Fund had a deficit fund balance of \$6,019 at June 30, 2011.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

Response - The deficit will be covered by property tax revenues or transfers during the next year.

Conclusion - Response accepted.